



Luis V. Gutierrez

Representing Illinois' Fourth District

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REP. LUIS GUTIERREZ OPENING STATEMENT: PROPOSED REGULATIONS TO THE UNLAWFUL INTERNET GAMBLING ENFORCEMENT ACT (UIGEA)

Washington, DC – U.S. Representative Luis V. Gutierrez (D-IL), Chairman of the Subcommittee on Domestic and International Monetary Policy, Trade and Technology, today made the following statement at a Subcommittee hearing entitled, “Proposed UIGEA Regulations: Burden without Benefit?”

"The focus of today's Subcommittee hearing is the proposed regulations to implement the Unlawful Internet Gambling Enforcement Act of 2006.

"The Act prohibits the U.S. payment systems from accepting payments for bets or wagers made by U.S. citizens who seek to gamble online. The Law also requires the Federal Reserve Board and Treasury Department to issue regulations mandating that payment systems identify and block all restricted transactions.

"In October 2007, the draft regulations were issued, and more than 200 comments were filed in response. As proposed, the regulations would require most companies involved in the payment systems – from banks to credit card companies to money transmitters and payment processors – to develop and implement policies and procedures designed to identify and block unlawful Internet gambling transactions.

"The regulations have been widely criticized as being vague and costly for financial institutions to implement. One of the most common complaints is that the proposed rules fail to sufficiently define key terms, leaving financial institutions with significant compliance difficulties.

"For example, the regulation fails to adequately define what constitutes “unlawful Internet gambling” or a “restricted transaction,” yet requires the financial institutions to make a determination on their own about what is lawful or unlawful.

"If the rule is adopted in its current form, the response by many financial institutions will likely be to over-block transactions to protect themselves from legal liability.

"Although the regulation does provide a safe harbor for financial institutions that block transactions that are in fact legal, it does nothing to ensure that *legal* transactions are not blocked. As a result, consumers will be placed at risk of having lawful transactions blocked. It is easy to see how these regulations, if implemented in their current form, could wreak havoc on electronic commerce in the U.S.

"With that in mind, I want to take a moment to question the priorities reflected by the underlying law, which was passed while my party was in the minority, and which seeks to eliminate Internet gambling by adults. In my opinion, if Congress is going to impose additional regulations on financial institutions, our time would be better spent restricting payday lending or curbing unfair and deceptive practices associated with credit card accounts and other types of predatory lending.

"But, the reality is we have a law that requires the regulators to develop rules to ban Internet gambling. And I have several concerns with the proposed rules.

"First, I am concerned about the effect these regulations will have on the remittances system that immigrants use to send billions of dollars home each year. Money transmitter companies are already having problems maintaining accounts with some banks, and I fear that this rule could exacerbate that problem.

"I am also troubled that these regulations could impose significant compliance burdens on financial institutions during a time of economic and financial turmoil.

"Finally, I believe it is inappropriate to have financial institutions essentially acting as the final arbiter in determining which transactions are legal or illegal; especially when the result could be closing a consumer's account.

"This hearing will provide an opportunity for the regulators to address these and other issues concerning the proposed rules. We will also have the opportunity to hear directly from the financial services industry on the potential cost, regulatory burden, and compliance issues they anticipate if the regulation is implemented as proposed.

"I expect a vigorous debate on the issues, and the Committee looks forward to working with the regulators as they move through the process and decide whether to amend the regulations or roll the dice and adopt them in their current form."

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